

Message Text

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ATTENTION BRAD MILLER

E.O. 11652:N/A

TAGS: ETRD

SUBJECT:COMMODITY CONSULTATIONS: NATURAL RUBBER, COPPER,
AND TUNGSTEN

PLEASE PASS FOLLOWING COMMODITY INFORMATION ON NATURAL
RUBBER, COPPER AND TUNGSTEN TO ALLAN WENDT FOR HIS
POSSIBLE USE IN CONSULTATIONS WITH GERMANS.

NATURAL RUBBER

THE THIRD PREPARATORY MEETING ON NATURAL RUBBER AGREED
TO THE FOLLOWING SCHEDULE FOR THE NEGOTIATING PROCESS:

1. PRODUCERS TO CIRCULATE A REVISED DRAFT DURING APRIL.

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PAGE 02 STATE 058403

2. A PRODUCER/CONSUMER MEETING WORKSHOP IN KUALA LUM,UR
IN MAY TO VISIT RUBBER PRODUCTION FACILITIES AND DISCUSS
ELEMENTS OF A NATURAL RUBBER AGREEMENT.

3. CONSUMER MEETINGS IN GENEVA AT UNCTAD DURING THE WEEKS
OF JUNE 5-9 AND JULY 3-7 (THE UNCTAD SECRETARIAT SAYS
JUNE 5-9 IS NOT FEASIBLE, SO JUNE 12-16 HAS BEEN PROPOSED

INSTEAD).

4. CONSUMER DRAFT/DRAFTS TO BE CIRCULATED BY JULY 15.

5. A DRAFTING GROUP TO BE CONVENED IN SEPTEMBER TO PRODUCE A DRAFT TEXT FOR THE NEGOTIATING CONFERENCE.

6. NEGOTIATIONS TO BE HELD IN LATE OCTOBER/NOVEMBER.

TALKING POINTS

-- WE ARE INITIATING INTENSIVE PREPARATIONS FOR THE RUBBER NEGOTIATION. IN THIS CONNECTION, WE HOPE TO HAVE A U.S. DRAFT PROPOSAL TO CIRCULATE AT THE JUNE 12-16 MEETING.

-- WE HOPE GERMANY WILL PLAY AN ACTIVE ROLE IN THE NEGOTIATING PROCESS. THIS WILL HELP TO MAINTAIN APPROPRIATE BALANCE WITHIN THE EC AND WILL STRENGTHEN CONSUMER POSITIONS GENERALLY.

-- WE CONSIDER CONSUMER AND PARTICULARLY GROUP B COORDINATION DURING THE NEGOTIATING PROCESS EXTREMELY IMPORTANT IN TERMS OF ASSURING THAT CONSUMER INTERESTS ARE PROTECTED AND ASSERTED IN ANY FINAL ARRANGEMENT.

-- WE DO NOT FAVOR UNCTAD SECRETARIAT INVOLVEMENT IN THE LIMITED OFFICIAL USE

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PAGE 03 STATE 058403

NEGOTIATING PROCESS; OTHER THAN ASSISTANCE WITH ADMINISTRATIVE, TECHNICAL AND PROCEDURAL PROBLEMS. CAN WE RELY ON GERMAN SUPPORT FOR THIS POSITION?

-- IN OUR VIEW, THE MOST DIFFICULT ISSUES IN THE NEGOTIATION ARE LIKELY TO BE BUFFER STOCK SIZE, ESTABLISHMENT OF THE INDICATOR PRICE, THE USE OF SUPPLY RATIONALIZATION, AND FINANCING.

-- OUR OWN ANALYSIS TO DATE, AS WELL AS OUR EXPERIENCE IN THE TIN AGREEMENT, LEADS US TO FEEL THAT A RUBBER AGREEMENT SHOULD NOT INCLUDE EXPORT CONTROLS. WE BELIEVE A PURE BUFFER STOCK SCHEME MIGHT ACCOMPLISH THE DESIRED STABILIZATION OBJECTIVES. WHAT ARE GERMAN VIEWS ON THIS SUBJECT AND THOSE OF THE OTHER EC MEMBERS?

-- WE ALSO HOPE TO INCLUDE IN ANY AGREEMENT PROVISIONS WHICH WOULD STIMULATE PRODUCTION AND INVESTMENT IN NATURAL RUBBER. DO THE GERMANS HAVE ANY IDEAS HOW THIS MIGHT BE DONE?

COPPER

THE THIRD PREPARATORY MEETING ON COPPER, JANUARY 30 -
FEBRUARY 3, AGREED TO THE FOLLOWING: IN THE FIRST STAGE,

A STANDING INTERGOVERNMENTAL COPPER BODY SHOULD BE
ESTABLISHED WITH THE FOLLOWING OBJECTIVES: A) PURSUE
DETAILED EXAMINATION OF STABILIZATION SCHEMES; B) MONITOR
THE COPPER MARKET AND; C) PROPOSE FOR GOVERNMENT
CONSIDERATION INTERIM ACTIONS. A MEETING TO DRAFT RULES
AND REGULATIONS FOR THE NEW BODY HAS BEEN SCHEDULED FOR
APRIL 17. WITH RESPECT TO A) ABOVE, THE BODY WILL REPORT
TO AN UNCTAD PREPARATORY MEETING ON COPPER WHICH WILL BE
CONVENED FOR THAT PURPOSE. AT THE SECOND STAGE, THE
PREPARATORY MEETING SHOULD MAKE A DECISION REGARDING THE
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PAGE 04 STATE 058403

CONVENING OF A NEGOTIATING CONFERENCE.

TALKING POINTS

-- IN OUR VIEW, THE KEY ISSUES AT THE DRAFTING GROUP WILL
BE FUNCTIONS OF THE NEW BODY, THE LINK TO UNCTAD, VOTING,
FINANCE, CONTINUED EXAMINATION OF POSSIBLE STABILIZATION
MEASURES AND THE NATURE OF RECOMMENDATORY POWERS. WE ARE
ADVANCING PREPARATIONS OF THESE ISSUES BUT HAVE NO FIRM
POSITIONS AS YET. WHAT IS THE CURRENT STATUS OF GERMAN
THINKING?

-- AS YOU MAY KNOW, ON FEBRUARY 23, DOMESTIC COPPER
PRODUCERS FILED AN ESCAPE CLAUSE ACTION UNDER SECTION 201
OF THE TRADE ACT OF 1974. THE PETITION IS DIRECTED TO
REFINED COPPER, BUT NOTES THAT THERE IS EXCESS CAPACITY
ABROAD FOR COPPER PRODUCTS AS WELL. THE PETITION REQUESTS
A "QUOTA FOR IMPORTS" OF REFINED COPPER, BASED ON IMPORTS
DURING THE MOSTRECENT "REPRESENTATIVE PERIOD" AND ADDS THAT
PETITIONERS AT THE ITC HEARINGS WILL RECOMMEND THE SIZE
AND TYPE OF QUOTA NECESSARY. THE ITC NOW HAS 6 MONTHS
IN WHICH TO EXAMINE THE SITUATION OF THE COPPER INDUSTRY,
AND TO MAKE RECOMMENDATIONS TO THE PRESIDENT. CIPEC HAS
OFFICIALLY NOTED ITS CONCERN ABOUT THIS ACTION, BUT WE DO
NOT EXPECT THE PETITION TO DISRUPT THE FORTHCOMING UNCTAD
COPPER MEETING.

-- THE ADMINISTRATION HAS RECENTLY DECIDED TO PURCHASE
UP TO 225,000 METRIC TONS OF COPPER FOR THE U.S. STOCKPILE.
THIS ACTION WAS TAKEN TO IMPLEMENT U.S. SECURITY
OBJECTIVES, BUT THE TIMING WILL ALSO HAVE FAVORABLE
ECONOMIC AND BUDGETARY IMPLICATIONS. IN VIEW OF THE
DEPRESSED STATE OF THE INDUSTRY WORLDWIDE AND LOW COPPER
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PAGE 05 STATE 058403

PRICES, WE BELIEVE IT MIGHT BE DESIRABLE FOR OTHER MAJOR CONSUMERS, SUCH AS GERMANY, TO INITIATE STOCKPILING ACTION. WOULD GERMANY BE PREPARED TO UNDERTAKE SUCH ACTION IN THE NEAR FUTURE?

TUNGSTEN

THE INTERGOVERNMENTAL EXPERTS GROUP ON TUNGSTEN AND THE COMMITTEE ON TUNGSTEN, SENT FORWARD TO THE TRADE AND DEVELOPMENT BOARD SPLIT RECOMMENDATIONS REGARDING A DECISION ON WHETHER TO CONVENE A NEGOTIATING CONFERENCE. FIVE CONSUMERS, (U.S., UK, FRG, SWEDEN AND JAPAN) REQUESTED THE TRADE AND DEVELOPMENT BOARD TO APPOINT A GROUP FOR THE DRAFTING OF A CHARTER FOR A PRODUCER/ CONSUMER FORUM FOR TUNGSTEN. MOST PRODUCING COUNTRIES AND SOME CONSUMERS RECOMMENDED THAT THE TDB REQUEST THE SECRETARY GENERAL OF UNCTAD TO CONVENE A NEGOTIATING CONFERENCE FOR A COMMODITY ARRANGEMENT. CANADA RECOMMENDED THAT THE TDB REQUEST THE SECRETARY GENERAL OF UNCTAD TO CONVENE A GROUP TO PREPARE DRAFT ARTICLES FOR A FRAMEWORK AGREEMENT FOR CONSIDERATION BY GOVERNMENTS.

TALKING POINTS

--WE BELIEVE THE FIVE CONSUMERS SHOULD ACTIVELY OPPOSE ANY POSSIBLE TDB RECOMMENDATION FOR A NEGOTIATING CONFERENCE ON TUNGSTEN. IN THIS CONNECTION, IT MAY BE DESIRABLE FOR CONSUMERS TO INFORM THE SECRETARY GENERAL IN ADVANCE OF THE TDB THAT THEY WOULD NOT BE PREPARED TO PARTICIPATE IN A NEGOTIATION SHOULD ONE BE CALLED. THE U.S. IS GIVING SERIOUS THOUGHT TO THE DESIRABILITY OF SUCH A STEP. WOULD GERMANY BE PREPARED TO AGREE?

-- WHAT SUGGESTIONS DO THE GERMANS HAVE FOR PREVENTING THE CONVENING OF A NEGOTIATING CONFERENCE? VANCE

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